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Ekanem, Ignatius U. ORCID logoORCID: <https://orcid.org/0000-0001-5678-3954> and Erukusin, Kayode (2014) The emergence of social media and its impact on SME performance. In: Institute for Small Business and Entrepreneurship Conference, 05-06 Nov 2014, Manchester, United Kingdom. . [Conference or Workshop Item]

Published version (with publisher's formatting)

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THE EMERGENCE OF SOCIAL MEDIA AND ITS IMPACT ON SME PERFORMANCE

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ABSTRACT

Objective: This study aims to critically analyse the emergence of social media (SM) and its impact on SME performance.

Prior Work: Boyed and Ellison (2008) have indicated that social network have increasingly in recent years attracted the attention of academics, researchers, customers and companies due to the fact it is a global tool. Bughin, Chui and Manyika (2012), on the other hand, have assessed how the emerging powerful social media technologies have rapidly become popular amongst consumers faster than previous technologies. However, these previous works have concentrated largely on the impact of social media on large companies.

Approach: This study employs a qualitative methodology for gathering information which has been able to provide clear insights, good quality and rich data from the direct source. This approach leads to a better understanding and knowledge of SME's strategy and attitude to social media as opposed to a quantitative means of collecting data as used in previous studies.

Results: The evidence from this study suggests that there is a relationship between the growth of a company's market share and the adoption of social media. There is also evidence that SM helps to improve sales figure, brand image and awareness. The findings in this study also suggest that SM helps to improve communication between companies and customers.

Implications: The main implication of these findings is that SMEs should be encouraged to establish their presence on different social media networks in order to enhance their performance. The study is limited to the extent that it can be generalised to a wider population of SMEs with an implication for further research.

Value: This study makes contribution to the growing body of literature on the impact of social media on SMEs. It also sheds lights on the different aspects of effects of social media such as market share, reduced cost and improved sales, brand building and awareness. The qualitative methodology is novel as it enabled the researcher to get beyond a one-dimensional picture by allowing different shades of meaning to be captured and creating a solid foundation for drawing valid conclusions about the impact of SM on SME performance. The approach is unique in terms of the combination of the different threads such as in-depth, semi-structured interviews and direct observation which are lacking in a quantitative method.

Keywords: Enterprise social media; Technology entrepreneurship; Enterprise social systems; SME performance; qualitative methodology

INTRODUCTION

In recent years, social media has increasingly attracted the attention of academics, researchers, practitioners, companies and customers due to its affordability and the fact that it is a global tool (Aula, 2010). Social network sites can be defined as web-based applications on smart devices such as phones, tablets, iPads, lap tops and computers that allow users or organisations to create a public or semi-public profile about themselves, compile a list of users with whom they share a connection with in the case of individuals and a target market in the case of a company (Boyd and Ellison, 2008).

The introduction of social media tools such as Twitter, Bebo, YouTube, Facebook etc. has been able to attract millions of users, many of which have integrated their daily practices with these sites and therefore giving businesses the chance of targeting and reaching millions of people through these sites with minimal cost. The first social network site launched in 1997 was called SixDegrees.com. This was followed by others such as AIM and ICQ, Hi5, MySpace, Friendster, and LinkedIn (Armellini and Villanuev, 2011).

The various formats of social media include: photo sharing, blogs, wikis, social networks, video sharing, virtual worlds, social bookmarking sites and micro-blogging. These numerous formats have created a shift from the traditional one-way communication system according to Qualman (2009) and has changed, expanded and broken the barrier of communication between companies and their respective consumers.

Social media is the latest invention which companies, consumers, businesses, NGOs and government agencies are swaying towards as it has the tendency to reach millions of people by just one click (Sunden, 2003). Sunden (2003) argues that despite the adoption of the Internet by companies and customers, SMEs are still struggling with how to effectively adopt and integrate social media into their business models and strategies.

The Internet has significantly changed the world and so has social media. In the early days of social media, MySpace was one of the emerging social media networks that supported celebrity activities in terms of promoting music and videos and it also made an impact on the entertainment world and businesses at large from music to movies. MySpace was later displaced by Facebook, which offered more features and benefits such as uploading photos, creating fan page, direct communication and interactions between celebrities and fans (Mandelli and Mari, 2012). The arrival of Facebook united millions of people around the globe, thereby giving organisations the insight and the realisation of being able to potentially capitalise on the fact that customers are just a few mouse clicks away (ibid).

The aim of this study is to critically analyse and assess the rapid emergence of social media and its impact on SME performance. Although performance indicators may vary between companies, depending on their priorities or performance criteria and may include profit, earning per share, revenue per employee, etc., but for the purposes of this study, performance is defined as how well organisations are doing in terms of sales figures, market share and the value they deliver for customers and other stakeholders. In other words, to assess the true nature of a company's performance with reference to social media, the criteria used in this study include, market share; reduced cost and improved sales; and brand building and awareness.

The study also aims to fill the gap in this area of study, as most of the previous studies have used quantitative method to gather information from companies whilst this study employed a qualitative approach consisting of face-to-face interviews with companies which engage with social media. Past studies also focused on big or multinational companies whilst this study focuses on small and medium sized companies. The study explores three research questions:

RQ1. Is there a relationship between the growth of SMEs' market share and the adoption of social media?

RQ2. Do social media aid SMEs to improve sales figure?

RQ3. Do social media help SMEs build or improve brand image and awareness?

The paper is structured as follows. Our conceptual discussion starts with a review of the extant literature regarding the concepts of the impact of social media on company performance. After describing our research context and methodology, we discuss the findings of the seven empirical case studies. We conclude with the implications and limitations of the study and suggest new avenues for future research.

LITERATURE CONTEXT

Social media evolution

Social media has numerous definitions and descriptions. According to Cohen (2011, p17), social media has been defined as: “*Digital content and network based interaction that are developed and maintained by and between people*”. Whilst Kaplan and Haenlein (2010, p22) defined social media as: “*A group of Internet – based applications that build on the ideological and foundations of Web 2.0, and that allow the creation and exchange of User Generated Content*”.

In just a matter of few years, the use of social media has become a sweeping cultural, social and economic phenomenon (Chui *et al.*, 2012). Hundreds of millions of people have adopted new behaviours using social media. They are now conducting social activities on the Internet, creating and joining virtual communities and organising political activities. All the rituals and rites in which individuals and groups in society participate – from personal events such as wedding or daily gossip, to global happenings such as the Arab Spring – play out on social platforms (Chui *et al.*, 2012). As a matter of fact, much behaviour that sociologists study – forming, maintaining, and breaking social bonds – are now taking place online (Shirky, 2010).

Social media have literally changed how millions of people live. People rely on their online social connections – often including friends and associates they have never met in person – for everything from advice on what movie to watch to positive reinforcement for behaviour modification (e.g. diet and weight loss) (Chui *et al.*, 2012). The report also points out that on social media, writers who have never been published and musicians who have never performed in public are now contributing to blogs and posting videos to YouTube. Social platforms have the potential to tap the great “cognitive surplus” of society by using leisure time for creating content and collaborating, rather than consuming (Shirky, 2010).

Businesses are changing their behaviour as well. The evolution of social media has been rapid with more than 80% of *Fortune* 500 companies adopting some form of social media tool in order to connect and interact with their consumers (Naylor *et al.*, 2012). As a result of this rapid development, it has been reported that 87% of the *Fortune* Global 100 companies are using at least one social media platform to interact with their consumers (Burson-Marsteller, 2012). The same report has indicated that while Twitter remains the most popular platform for Global 100 companies, by far the largest growth in corporate social media use occurred on YouTube, which jumped from 39% to 79% in just one year. The report shows that companies have taken to social media in order to reach and deliver a better service to their customers considering the fact that social media are emerging to be the new trend both for businesses and customers.

About 1.5 billion people around the globe have an account on social networking sites, and almost one in five online hours is spent on social networks – increasingly via mobile devices (Chui *et al.*, 2012). The study indicates that by 2011, 72% of companies surveyed reported using social media technologies in their businesses and 90% of those users reported that they are seeing benefits. The findings in this study suggest another encouraging opportunity available on social media for companies as far as increasing sales figure is concerned.

Non-profit organisations are also embracing the opportunities and the use of social media with 92% of their websites including at least one social media link (Mashable Social Media, 2011). Just as many companies are currently adopting the use of various social media platforms to develop a stronger consumer-brand relationships, non-profit organisations are also realising that social media provides a great opportunity to engage and foster conversations and interactions. It is also relatively cheaper in terms of advertisements as compared to the traditional means such as radio or TV advertisements, billboards etc. (ibid).

The emergence of social media and potential growth in company's market share

As these relatively emerging powerful social media technologies establish their presence, they have rapidly become popular amongst consumers faster than previous technologies;

hence the reasoning behind why a lot of organisations are moving towards this trend (Bughin *et al.*, 2012). According to Bughin *et al.* (2012), it took 13 years for commercial television to reach a mark of 50 million users or households and 3 years for Internet service providers to reach same figures in terms of reaching 50 million subscribers. However, it took Facebook a year to reach the same 50 million mark while it took Twitter nine months to sign on the same figures. This rapid development in such a short time has been associated and accelerated with the sweeping and fast growing cultural, economic and social changes adopted by consumers worldwide (ibid).

The rapid growth of social media represents potential opportunities for companies to grow and increase their market share as evidence shows that social media has been able to capture more subscribers in a shorter time compared to traditional means of commercial media such as television. The technology therefore may change the way companies conducts their businesses in terms of going digital in order to take advantage of the over 50 million subscribers that are already registered on social media. This exciting news will enable companies to formulate strategies of maintaining the subscribers on social media as opposed to stressing or finding ways of attracting new customers as a whole (Kirpatrick, 2011).

Over the past few years, social media has emerged as an integral part of many organisations communication strategies (Wilcox and KyungOk, 2012). As a result, over \$2 billion was spent on social media advertising in 2012 and there is a forecast that indicates that the spending will increase to \$9 billion by 2015 (Chui *et al.*, 2012). This huge spending represents the fact that organisations are investing more into social media as it is a means to capture the attention of users globally at a cheaper rate as compared to TV or radio advertisements, billboards etc. (ibid).

Moreover, the investments which organisations have made into social media has experienced growth with the likes of Facebook, Twitter and YouTube and more importantly, these investments have also accounted for the growth in company's market share (Protalinski, 2011; Kirpatrick, 2011). With Facebook accounting for over 800 million active subscribers and over 175 million registered and consistent users on Twitter, social media has not only been integrated into a consumers' everyday life but most importantly increasing the chances of improved and increased sales activities, reduction of cost associated with marketing and advertising and finally enhancing the way companies connect with their consumers (Protalinski, 2011; Kirpatrick, 2011).

Social media and the potential to increase sales figure

As stated earlier, research shows that although organisations have adopted social media technologies, they have only generated a small fraction of the potential value they can create (Bughin *et al.*, 2012). A study and an in-depth analysis on four major companies that represents almost 20 percent of the global industry sales also supports the fact that organisations are yet to maximize the full potential of social media and technologies (Chui *et al.*, 2012). The same study suggests that social media platforms have the ability and business potential to unlock \$900 billion to \$1.3 trillion in value. This represents a massive value in monetary terms considering the fact that this is a study on just four business sectors (Bughin *et al.*, 2012). The study however, shows that two-thirds of this value creation lies in the improvement of communication and in partnership across and within enterprises (ibid).

These improvements have gone beyond the imagination and areas many companies have focused on in the past and are currently focusing on in their social media efforts (Chui *et al.*, 2012). Chui *et al.* (2012) also point out that companies are currently focusing their efforts on connecting and interacting with consumers, deriving customer insights on marketing and product development, and providing customer service.

In terms of sales figures, the emergence of social media has captured the attention of organisations especially the sales people and managers of organisations and there is an increase in the role that social media plays in buying process of consumers (Featherstonebaugh, 2010). At the same time, social media-supported transaction has emerged as an important means through which people buy and review products (Stephen

and Toubia, 2010). Social media network has also become an integral facilitator of a closer relationship between consumer and an organisation (Tedeschi 2006). As a result, it is evident that organisations and individuals gain both social and professional benefits from social media (ibid).

Communication and improved brand image and awareness

One of the main advantages associated with social media is improved communication between a company and consumers (Chui *et al.*, 2012). However, Mandelli and Mari (2012) have also pointed out that if social media is not properly managed it can also be a disadvantage as illustrated by their Toyota case study. Toyota suffered from a wide spread negative media communication when consumers wrote bad reviews about the company on their social media platform during a recall of 3.8 million vehicles in September 2009.

Toyota's sales went down the slope by 8.7% and its reputation was seriously damaged with the news spreading quickly around the world through traditional media and even more so through social media as it has more capacity to reach more people (Mandelli and Mari, 2012). The report indicates that the first tweets about Toyota appeared towards the end of 2009 when they recalled over 4 million of its cars, and by January 2010 the buzz had skyrocketed from less than 100 posts to over 3200 in just a matter of four days.

Even though Toyota's reputation was dented due to the fast spread of information through social media during the recall of some of its vehicle, they acted immediately to rectify the problem. This was done by creating an "online newsroom" and a "social media response team" to organize and coordinate its communication strategies and processes. Toyota's social media expert response team was able to monitor and listen to their customer's complaints and was able to respond aggressively and effectively to the concerns and issues raised and most importantly in a timely manner (Rao, 2010).

Toyota's National Social Media and Marketing Integration Manager pointed out that social media is an important and critical element in their communication-mix. He further said that how a company *"responds and reacts to those [social-media] conversations really has become perhaps the most important platform for dealing with a crisis like this"* (Rao, 2010, p.11).

In terms of tangible results, Toyota has successfully been able to grow its Facebook fan base by more than 10% and more importantly as Toyota's social media presence has grown, so has customer loyalty and sales compared to the initial stages of the recall (Mandelli and Mari, 2012).

RESEARCH CONTEXT AND METHODOLOGY

For the purposes of this paper, we subscribe to a qualitative research methodology by employing a multiple case study approach which is in line with the suggestion that a qualitative approach is the appropriate methodology as the starting point in theory building (Gummesson, 2005; Yin, 2009). We agree with Merriam (1998) that a qualitative methodology is required when the research objective is to understand phenomena or interpret the uniqueness of an event. In practice, we undertook a comprehensive and critical review of the literature to identify gaps about the impact of social media on the performance of SMEs. This approach is a departure from "traditional" research in this area of study where quantitative measures are sought from a deductive approach. This study is novel for this reason.

We chose to use multiple case studies because extant literature indicates that it is an appropriate method for having a clear understanding of observable phenomena (Gummesson, 2005; Yin, 2009; Wison, 2010). The choice of 7 firms was influenced by Eisenhardt (1989, p.545) which argue that *"...while there is no ideal number of cases to include in the sample, a number between 4 and 10 usually works well. With fewer than 4 cases it is often difficult to generate theory..., with more than 10 cases it quickly becomes difficult to cope with the complexity and volume of the data"*.

Research approach

Although one of the researchers used to work for one of the case study firms, the rest were purposively selected through snowballing to provide data pertinent to understanding the research questions (Shaw, 1999). To be included in the study the firms had to be in existence for five years; be independently owned; employ less than 250 employees; and must have adopted social media for at least a year. Archival documents (e.g. ledgers and financial statements) were also examined to see how use of social media has impacted on company performance over the years and case material built up on each company.

(Insert Table 1 here)

In-depth interviews and observations were conducted with business owners and sales managers of the 7 case study companies. These interviews were exploratory in nature and each interview was between one hour and one and half hours. The interviews started by establishing initial boundaries for the study and moved on to provide details on company information such as age of the company, education, training and experience. The interview was also able to establish the objectives of the business, progress, challenges and future plans.

These interviews were semi-structured and followed a detailed interview plan starting with icebreakers, giving room for flexibility, and a relaxed and comfortable atmosphere. The questions asked enabled the business owners and sales managers to touch on other areas, which eventually opened up and gave further insights into the study.

The importance of conducting interviews with these companies is that it provided the opportunity to ask and unravel new clues, open up new dimension of problems and get a vivid and accurate answer directly from the source (Burgess, 1982).

Apart from asking questions, the researcher watched, listened and learned because not all information are produced by informants responding to questions: they may be unsolicited (Ekanem, 2007). The presence of the researcher during interviews provided the opportunity for direct observations of some of the relevant behaviour, and such observations served as yet another source of evidence in the case study (Yin 2009). They were carried out through interrupted involvement (Easterby-Smith *et al.*, 2008) which allowed access not only to what owner-managers said during the interview but also how they said it through symbolic language, including body language. Non-verbal language was found to be of equal importance as real feelings were constantly communicated, in addition to verbal language, in the language of behaviour.

Data analysis

The qualitative data were collected and analysed using an inductive process of recording, tabulation, coding, and constantly comparing emerging codes and categories with data until meaningful ideas emerged (Yin 2009; Ekanem 2007). Categories were allowed to emerge according to the topics emphasised by each participant relating to the impact of social media on their business performance. The process of analysing the data began as soon as the researcher started collecting data. It was ongoing and inductive as the researcher was trying to make sense of the data collected (Shaw 1999).

Whilst interviews were recorded on tape for later verbatim transcription, data collected during observation were not recorded until the researcher had left the business premises and his notes were written up. The combination of interviews and observation provides triangulation because it enabled the researchers to explore respondents' accounts from different angles, thus offering a degree of verification. It also permitted detailed comparison between respondents' accounts and the identification of common features. The data being qualitative were convincing enough to allow a conceptual rather than descriptive analysis particularly focusing on how the respondents evaluated the impact of social media on their performance.

The data analysis utilised a set of techniques such as content analysis, pattern-matching, and explanation-building technique (Yin, 2009; Ekanem, 2007). Content analysis involved listening to and transcribing the tapes, reading the transcripts to list the features associated with the learning

behaviour of each owner-manager and establishing categories which were then developed into systemic typology. These features included market shares, reduced cost and improved sales, brand building and awareness, and effective target markets.

Pattern-matching technique involved examining whether there were any interesting patterns and how the data related to what was expected on the basis of common sense or previous theory (Yin, 2009). The length of time the company has been on social media, which social media and its effectiveness were examined for each company and matched. This involved comparing sales figures, market share and costs of each participant case study company and the types of social media used. It also involved examining whether there were inconsistencies or contradictions between owner-managers' accounts. When a pattern was established, the transcriptions were read again in order to make further comparisons with different respondents to identify stable features (Shaw, 1999).

Explanation-building technique allowed series of linkages to be made and interpreted in the light of the explanations provided by each respondent on attractiveness of social media to customers and the relationship of such platforms to cost. Explanations were also collated about the impact of social media on company image and the correlation with sales figure. This technique allowed explanation of the findings to be built around the stories of business owners and sales manager. For example body language and tone of voice on certain answers were put into consideration when analysing the information gathered from the interviews. The aim was to build a general explanation based on cross-case analysis.

(Insert Table 2 here)

ANALYSIS AND DISCUSSION OF FINDINGS

The summarised findings from the qualitative methodology are presented from the empirical study subject to the constraints of presentation.

Exploring RQ1

In response to the first research question, it was found that the company's presence on social media has attracted customers and therefore increases their market share. The respondents in Companies 1, 4, 5, and 6 further went on to express their opinions of the innovation and ease with which social media adds to the growth of their company. They were all of the opinion that non-presence on social media would have made it more difficult for their companies to advertise their products and services to their consumers. For example, Company 1 sales manager emphasised that:

"in as much as the type of products we sell are best shown to our customers on a face-to-face demonstrations, social media however, still helps to put our products out there and we would have struggled or found it harder to be able to reach our customers without the help of social media. Yes, our market share has increased substantially."

The above quote demonstrates the effectiveness of using social media to gain market share without which companies would struggle to reach customers. It also supports the concept of social dimensions of interactive advertisement (Sohn and Leckenby, 2002).

The owner-manager of Company 4 put it this way, *"not to be present on social media is neglecting the opportunity of growing and adding to one's consumer list or numbers"*. He explained that it is unwise not to subscribe or establish a company's presence on social media considering it is free to sign up. However, he also pointed out that being on social media requires monitoring social media activities which can be time consuming. He emphasised, *"Not monitoring these social media activities or replying to customer enquiries or complaints can lead to a company getting a bad reputation due to bad or negative review from customers and these reviews can be seen by all."* Despite these potential negative setbacks, he is still enthusiastic about his company's presence on social media as it increases the chances of reaching more consumers thereby increasing market share. He also remarked in a jovial way that:

“life is full of risk”; business is fierce, and with social media, the challenges that come with it are no different especially with the opportunities it offers.”

This means that the benefit of using social media far outweighs any challenges the company may face. However, the response from the owner-manager of Company 7 was different. He indicated that social media has not been able to add directly to its market share. The business owner explains that because of the type of business he runs which is organizing professional training courses in business analysis and project management, he tends to attract customers by word of mouth as opposed to social media. However, he stressed the fact that he gets a lot of reviews on social media about his business, but 90% of his customers are mainly through word of mouth while the remaining 10% may be through social media.

All the companies in this study agreed that there is more to gain than to lose in establishing their company's presence on social media as it enhances the opportunity to reach more customers. They also agreed that it is cheap to be on social media compared to other means of advertising and marketing. When asked to identify which social media was more effective the owner-managers of the case study firms indicated that Facebook was more effective for them followed by Twitter and YouTube. This finding contradicts the literature which suggests YouTube to be more popular followed by Twitter for Global 100 companies (Burson-Marsteller, 2012).

Social media also facilitated transactions by adding purchasing function to a seller's social platform or by adding social features to an e-commerce site. For example, Company 6 allows visitors to sign in with their Facebook accounts to see what phones gadgets their friends liked and recommend some of them to certain friends, thus creating online parts of the social experience of going shopping with friends.

These findings have shown that social media is a viable environment for companies to do their business as the opportunity to reach and target consumers are realistic and achievable considering the fact that they are already on these platforms. As a result, this will save companies the advertising and marketing funds that can be used for other purposes. This provides an answer to research question 1 that there is a relationship between a company's performance in terms of growth and market share due to the adoption of social media. These findings support Bughin *et al.* (2012)'s argument that companies are yet to fully maximize the business potential and monetary value that social media offers.

Exploring RQ2

With respect to the second research question, a correlation between company's presence on social media and increase in sales figure was established. For example, the owner of Company 1 explained that although face-to-face demonstration of their product works for them,

“Social media puts the company out there on a larger scale hence we are able to get our primary customers through social media after which we can go out to demonstrate our products to them.”

In other words, social media is a major tool through which they contact customers before a product demonstration can take place. The respondent in Company 5 explained that 70% of its customers get to know about her business through the company's presence on social media. She emphasised: *“This definitely adds to and increases the company's sales figure.”* She stressed that social media has really helped her business and as a result has experienced an increase in both customers and sales figure. She said the best thing about social media for her is the fact that *“it is totally free.”*

The owner-manager of Company 4 explained that considering his type of business which is photography, social media has been a perfect tool. He described it as a *“match made in heaven.”* The business owner said social media has been able to help show case his

photographic skills and as a result it has been able to attract a lot of customers, thus increasing his company's sales figure.

The body language of the owner-managers of Companies 4 and 5 (beaming with smiles and excitement) also suggested that social media has proved to be a success for their business. They were also excited about the technology due to the fact that they spend minimal amounts on marketing and advertising yet they still get through to their primary targets. The response from Company 7, however, does not show a direct relationship between social media advertising and increase in sales figure because social media does not directly add to the company's market share as explained earlier.

Again with excitement and pride, the owner-manager of Companies 2, 4 and 6 indicated that they use social media to improve customer service in their organisations, thus taking some of the work usually performed on the phone (e.g. answering routine questions about product features). When asked how this was done, the owner-manager of Company 6 responded:

"We set up a social platform as a dedicated customer service channel. We recruit enthusiastic customers to be featured on our company home page and they help answer each other's questions. Believe you me, it is very effective".

The books of the case study companies were examined to see how the use of social media actually affected sales figures and increased the number of customers. There was evidence of huge increase in both sales figures and number of customers compared to the period when their presence was not established on social media. The finding revealed that more than a third of consumer spending was influenced by social shopping and highlighted in the company's annual report.

The result suggests the enormous business opportunities available to companies especially with the growth of sales figures. Companies can specifically target part of their resources on consumers that have signed on to their service or product page(s). With customers signed on to company pages, it saves time and increases the chances of sales figure soaring high. Again, this is another positive revelation for companies as the findings suggest that customers are visiting their pages to read more about the company and obtain information on their products and services.

It has also been demonstrated by Chui et al (2012) that the information they obtain from social media platforms has influenced customers' decision to buy a product or use a service. Social media multiply the potential sources of information about demand, adding another level of granularity to improve distribution efficiency and responsiveness. Based on information shared on social networks by customers or people in the distribution network (e.g. retail store staff), suppliers were able to respond to localised variations in demand and detect stock-outs earlier. Companies were also able to use information derived from social platform to improve inventory control. The findings in this study suggest another encouraging opportunity available on social media for companies as far as increasing sales figure as indication of performance is concerned.

Exploring RQ3

From the analysis of the seven cases, we found that social media helps to build or improve brand image and awareness which enhance a high level of performance. For example, the owner of Company 3 emphasised that being on social media has helped in promoting his events and building his brand image from the scratch. He reflected:

"I can't really imagine how I would have gone about building my brand considering the fierce business environment and the competition it faces."

The above quote means that social media has a significant impact on image and awareness. Similarly, the owner of Company 4 explained that social media has helped to increase his brand awareness, but warned, *"one has to be careful with the type of services it offers because one bad review from a customer can easily be seen by all and this could be a*

nightmare for any company as there is nothing worse than a bad reputation for any company.” Company 1 sales manager’s body language of excitement also demonstrated the positive impact of social media on their brand image and awareness. An examination of these companies’ social media platforms confirmed the significance of this social technology in creating brand image and awareness.

From the findings, it is evident that social media offer a way to achieve efficient distribution of messages, i.e. communicate directly with customers at very low costs and with highly targeted messages and content, such as special pricing or other promotions for certain customers and markets. They offer more ways to create more engagements with customers e.g. to promote certain products through interactive media. They were also used to build customer communities, which were tapped for marketing and product development. In this role, social media helps customers to communicate with one another in a way in which companies actively or passively participate.

Social media also give the case study firms a way to listen to customer conversation, identify customer service issues, and act on them before they harm sales or reputations. For example, the owner of Company 6 spoke of a customer who used his twitter account to complain about one of their products not being of a merchantable quality and the company responded immediately with tweets of its own, apologising and offering to refund to the customer, thereby defusing what could have become a much more negative situation.

The literature (e.g. Chui *et al.*, 2012) indicates that a huge number of consumers go on social media sites or platforms to read reviews about products or services before making a buying decision. This could be a positive or a negative attribute for a company. The positive feature about customers reading reviews before making a buying decision will definitely work for a company that does what it has advertised, such as providing after-sale care or exceptional customer service. This helps to increase their brand image or improve their reputation and possibly increase their customer base due to positive reviews written by other customers that have used the company’s products or services.

On the other hand, one bad review could ruin a company’s reputation. As seen earlier in the literature review with the case study of Toyota, bad reviews will dent a company’s reputation regardless of how long they have maintained that reputation. In light of this information, it is important for companies to monitor their reputation and probably respond to every customer enquiry or issues as Toyota did when repairing their reputation and as Company 6 did when a customer complained about the quality of one of its product.

Conclusion

The aim of this study was to analyse the impact of social media on SME performance using case studies, interviews and observation. The evidence from this study suggests that there is a relationship between the growth of a company’s market share and the adoption of social media, resulting in high performance. There is also evidence that social media aids or improves sales figure, brand image and awareness, which lead to high performance. The findings in this study also suggest that social media helps to improve communication between companies and customers, leading to increased performance. The findings also confirm the untapped value creation potential of social media within SMEs (Chui *et al.*, 2012).

As demonstrated in this study, social media has been used to gather insights about products and brands, opinions about competitors and perceptions of market segments. These insights has been used as inputs for product requirements and design, advertising campaigns, pricing, packaging and other marketing and product development activities with significant impact on firms’ performance.

The implications of these findings are three fold: First, SMEs should be encouraged to establish their presence on different social media networks in order to enhance their performance. Therefore, it can be suggested that business owners should adopt a learning approach i.e. being ready to experiment with new things and adapting as they learn from experience of what works and what does not work. The second implication of the study is for

business owners to endeavour to maintain data security without limiting the ways in which social media can be used. One way of maintaining security is to prevent unauthorised disclosure of confidential information through social media. The third implication of this study is for both business owners and policy makers to ensure that personal and property rights are protected in online communities without undermining the essential strength of social media.

This study makes contribution to the growing body of literature on the impact of social media on companies' performance. It also sheds lights on the different aspects of effects of social media such as market share, reduced cost and improved sales, brand building and awareness. The qualitative methodology adopted for gathering information has provided clear insights, good quality and rich data from the business owners themselves, thereby leading to a better understanding and knowledge of SME's strategy and attitude to social media as opposed to a quantitative means of collecting data.

The qualitative methodology is unique in terms of the combination of the different threads such as in-depth, semi-structured interviews and direct observation which are lacking in any single method. The direct observation allowed the researcher to explore the differences between what the participants said and how they said it. The approach is novel as it enabled the researcher to get beyond a one-dimensional picture by allowing different shades of meaning to be captured and creating a solid foundation for drawing valid conclusions about the impact of social media on SME performance.

The study has several limitations which suggest the implications for further research. The major limitation of the study is the extent to which the study can be generalised to wider population of small firms since it was based on only seven case studies drawn from different sectors, which was not randomly selected. Therefore, a large-scale study of businesses would be necessary to test out the research results to a wider less heterogeneous population.

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